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Managing Budgets
For Snow Control

Fighting To Save Park Programs
Geobased Systems Map Infrastructure

Can-Edge '87
Product Review

AMERICAN CITY & COUNTY[®]

VBPA

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Cover illustration and design by Deb Gaston

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Survey Probes Liability Issues

By John R. Miller

This municipality has been sued, or is being sued, on six to eight occasions without good cause. It has never been sued where the claimant had a powerful case, and yet, insurance companies continue to pay out-of-court settlements rather than go to trial."

"Government agencies should be liable for wrong situations. However, this thing has gotten out of hand. People will now sue you even if they are negligent — and they win their suits. Our rates are tremendous."

"Unless negligence 'beyond the shadow of a doubt' can be proved, no litigation should be allowed. Filing suit seems to be the 'in thing' and justice is not really the issue."

Over the past several years, tales of woe concerning public-official liability insurance problems have been prevalent. Many have said a crisis is upon us. Others have said whatever crisis existed is wending its way toward extinction. Likewise, some have said all along the public-official liability crisis is as real as the unicorn.

But the quotes above, drawn from a recently concluded survey by Peat Marwick and the Public Risk and Insurance Management Association, validate a tangible concern. Designed to be the most comprehensive study undertaken on the subject, the survey set out to measure not only perceptions of the crisis, but also the extent of its effects. Who or what was believed to be the culprit? What recommendations were being put forth to counter it?

The survey of public officials was part of a larger study conducted last fall of corporate and non-profit executives, who allegedly were experiencing difficulties obtaining liability insurance for their directors and officers. The 244 public officials participating in the survey were, for the most part, city managers, city administrators, mayors or directors of finance, serving governments with operating budgets of \$5 million or more.

The majority, 56 percent, said the public-official liability problem may evolve into a crisis, while 40 percent said the situation already had reached crisis proportions. Only 4 percent of the respondents said no crisis exists.

Some suggest the liability problem is damaging the quality of governance. Thirty-five percent of the respondents said the problem is having "some negative effect" and 39 percent said the situation is having "some negative effect and definitely getting worse." Another 12 percent affirmed "considerable damage has already been done." Interestingly, 6 percent each were polarized, indicating there was "no negative effect of consequence" and "a great deal of damage already has been done."

Placing blame for the problem is difficult. Thirteen possible culprits were offered in the survey and respondents gave multiple answers. The increasing propensity of the public to sue, lawyers, juries granting high awards and heavy publicity for big

settlements were leading causes of the problem, according to the respondents.

When asked whether their government organization currently carried public-official liability insurance, the vast majority (83 percent) said yes. Respondents also were asked how important an effect the liability problem was having on the way they were managing their organization. Fifty-five percent said the liability problem has had "some effect," while 32 percent said there has been either "considerable" or "a great deal" of effect. Only 10 percent reported having no difficulties.

The survey revealed public official liability insurance premiums are rising, sometimes in staggering proportions. When policies were last renewed, 26 percent reported their premiums increased up to 49 percent. Premiums rose 100 to 299 percent for 22 percent of the survey respondents, and another 15 percent said their premiums skyrocketed beyond 300 percent. Deductibles and the maximum amount of coverage also were affected.

The overwhelming majority — 87 percent — approved of legislation being adopted in their states addressing the problems of trustees and directors of not-for-profit organizations. Three percent said such legislation already exists in their states, while 4 percent opposed enacting such a law.

The survey asked for reactions to different legislative proposals offered to resolve the current debate on the public-official liability problem. Three-quarters strongly favored eliminating joint-and-several liability, with another 12 percent "somewhat in favor." Six

percent were either "somewhat" or "strongly" against such a measure. Putting a cap on attorney's contingency fees was strongly favored by 77 percent of the respondents, with another 15 percent "somewhat in favor." Only 2 percent were "somewhat" against and no one adamantly opposed such legislation.

The final legislative proposal surveyed had less overwhelming support. The majority (58 percent) strongly favored allowing a defendant to sue a plaintiff for the cost of defense where the defendant prevails, with another 28 percent favoring the measure "somewhat."

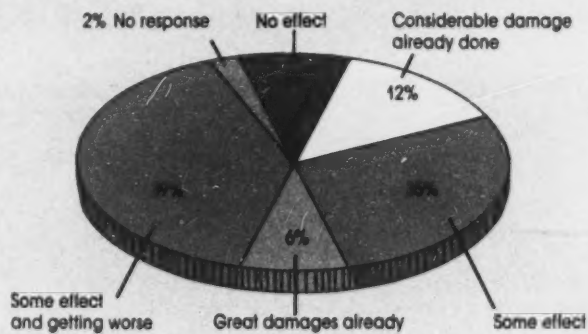
The survey revealed a very real problem. A full-fledged public-official liability crisis would pose a grave threat to everyone — not just members of a government body. The more dollars government organizations have to pay out in a liability judgment, the higher the insurance premiums and deductibles will be. The money has to come from somewhere, which may mean fewer resources for public services or a bigger tax bite to maintain normal levels of operation.

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Is the liability problem damaging the quality of governance?

Some people have said the director and officer liability problem is damaging the quality of governance. Peat, Marwick, Mitchell & Co. surveyed 244 municipalities on the negative effects.



John R. Miller is national director, government services, for Peat Marwick Mitchell & Co., New York.

ACROSS AMERICA

Pittsburgh To Host Snowfighters Meeting

More than 500 snowfighters from the United States and Canada are expected to attend the North American Snow Conference in Pittsburgh, April 7-10. The conference, sponsored by the American Public Works Association (APWA) and the Western Pennsylvania Chapter of APWA, will include technical sessions and tabletop exhibits.

Topics on the program include: equipment tips; new chemicals for snow and ice control; snowfighting agreements and contracts; airport snow removal; a survey of snowfighting practices; pre-wetting stockpiles; how to protect employees; minimizing liability; snowdrift control; and snowfighting materials such as salt.

General sessions are scheduled to include "How to Plan Effectively for Winter" by Carl Tosi of Allegheny County, Pa., "Baltimore's Swift Program" by Tom Rieley of the city's Department of Motor Vehicles, "Your Bridges Need Special Winter Care" by W.G. Johnson of the Pennsylvania Department of Transportation, and "How the Wind Chill Factor Affects Roads" by Harry Bischof of Allentown, Pa. Two speakers from the University College of Great Britain will discuss thermal mapping, ice detection and radar.

Paul Ostrowski, maintenance engineer for Allegheny County, Pa., will serve as general chair for the conference. More information is available from APWA, 1313 East 60th St., Chicago, Ill. 60637, (312) 667-2200.

Municipal Bond Volume Expected To Decrease

Municipal bond volume will decrease this year and the decline will not result solely from new federal legislation reducing the effective yield on interest-free munis, according to John Sebastian, executive vice president of Clayton Brown & Associates, a municipal bond specialist based in Chicago. He says lower interest rates also will contribute to the decreased volume.

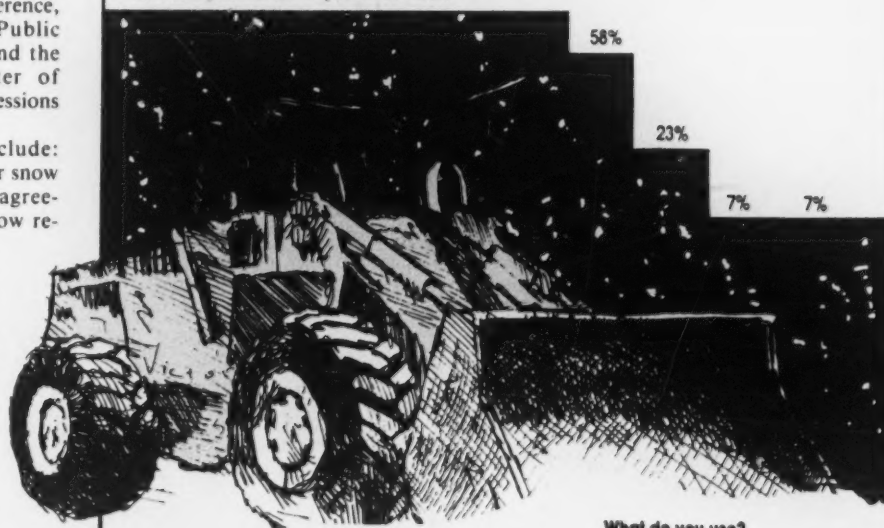
Sebastian forecasts the new issue volume will not exceed \$110 billion in 1987 unless interest rates drop another 50 to 75 basis points, a possibility he says is unlikely.

"For tax-free bond buyers, this means there should be no special surprises in 1987," he says. "This will be

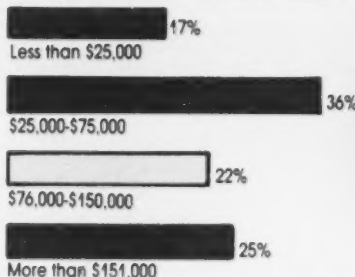
Survey Spotlight

In January, *American City & County* surveyed readers on snow removal issues. Since 70 percent of the respondents were based in communities with less than 50,000 people, the following answers are based on this segment.

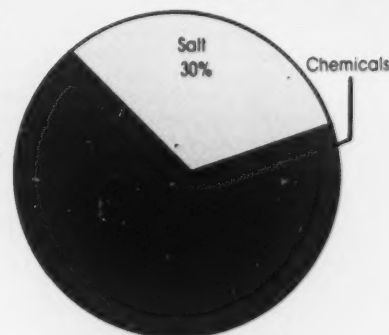
How many trucks are in your snow fleet?



What is your annual snow removal budget?



What do you use?



the first time in eight years there will be no special rush to issue bonds in advance of some new restrictions on some facet of municipal bonds or a change in the tax status of municipal bond buyers." As a result, Sebastian predicts tax-exempt indicies will mirror their taxable counterparts more closely.

Sebastian says municipal bond yields will shift upward to a higher percentage of the actual yield on Treasuries. "Ten-year municipals should provide 80 percent of the Treasury yield, while longer term tax-frees at 85 percent or more will not be unusual," he says. "Since longer-term, high-grade municipals now provide over 90 percent of the yield of comparable maturity Treasuries, they are especially attractive."

Bank-qualified munis also are an attractive investment opportunity, he

says, because the spread — or difference in the yield between qualified and non-qualified bonds of the same rating and maturity — has narrowed from as much as 100 basis points last fall to only 10 points or less. According to Sebastian, "We'll see that spread begin to increase as soon as banks attempt to shelter their income — by buying qualified municipal bonds."

Presidential Panel Urges Local Action

Dramatic increases in federal funding for outdoor recreation and strong local action were among the recommendations made by the 15-member President's Commission on Americans Outdoors in a summary

MUNICIPAL COST INDEXES

The **Municipal Cost Index** for April rose slightly more than one point, to 342.7. This marks the first rise in the index since February's figure of 341.4. The **Producer Price Index** and **Construction Cost Index** also rose this month, while the **Consumer Price Index** dropped for the first time in several months.

In this month's marketbasket, products in the fuel and oil family continued to rise, as did portland cement, sanitary papers and office machines. Several products showed slight declines, with lubricants dropping the most.

—Compiled by Joe Morris

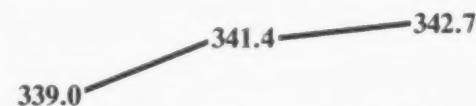
THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From:	
		Last Month	Last Year
Air Conditioners	149.5	.4	1.0
Apparel	184.5	.2	.9
Asphalt Roofing	371.0	-.2	-8.5
Books	143.0	.2	4.6
Chemicals, Industrial	323.9	2.2	-5.2
Coal	537.1	.4	-.9
Concrete Products	325.2	.2	.1
Construction Machinery	370.8	0	1.6
Diesel Fuel	401.2	12.3	-38.5
Electric Components	202.8	-.1	1.6
Electric Lamps	346.3	-.2	-.1
Electric Power	444.1	-.6	-2.7
Engines, I.C.	353.9	0	1.6
Fans, Blowers	368.5	.5	1.8
Fertilizers, Mixed	243.1	-1.0	-3.2
Floor Coverings	197.6	.5	1.6
Flow Instruments	238.4	.1	2.2
Footwear	264.6	.3	2.0
Foundry Products	363.9	.2	0
Fuel Oil No. 2	438.4	13.7	-36.2
Furniture	322.6	.5	2.5
Gasoline	347.4	9.9	-34.8
Generator Sets	352.0	-.2	.6
Glass	234.2	.5	1.9
Glass Containers	401.1	-.2	3.1
Gypsum Products	344.4	-.9	-4.4
Hardware	303.7	-.5	-2.2
Heating Equipment	271.5	-.1	2.6
HVAC Controls	131.4	-.2	3.5
LP Gas	309.0	5.0	-51.0
Lubricants	339.9	-1.8	-9.7
Lumber	320.1	1.2	5.7
Metal Fabrications	315.9	-.3	.3
Millwork	320.5	.8	2.8
Motor Vehicle Parts	360.0	.3	1.1
Mowers	263.5	-.3	.1
Natural Gas	1066.8	4.2	-18.2
Office Machines	156.8	1.0	1.9
Paint	281.3	-.2	1.0
Paper	315.2	.6	4.6
Passenger Cars	247.0	-.3	7.6
Plumbing Fixtures	323.9	.5	2.9
Plywood	233.3	-.2	1.7
Portland Cement	347.8	1.8	-3.5
Residual Fuel	528.7	10.2	-39.8
Sand, Gravel	321.4	.7	2.7
Sanitary Papers	380.2	-.5	-.1
Soaps, Detergents	274.4	2.5	-1.7
Sporting Goods	207.4	-.2	1.8
Steel Mill Products	353.0	.9	1.5
Goods			
Struc. Clay Products	311.3	.8	2.2
Switchgear	286.4	.2	1.4
Tires, Tubes	232.7	.8	-.8
Transformers	236.4	.7	1.6
Trucks	347.0	-.3	.7
Valves	107.7	.3	1.6
Wire, Cable	205.4	.3	-.6
Wiring Devices	379.8	-.2	2.8

At-A-Glance Changes

MUNICIPAL COST INDEX

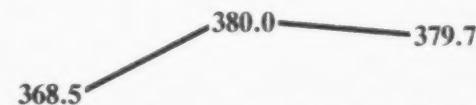
Last Year Last Month This Month



Percent Change From Last: Month .4 Year 1.1

CONSTRUCTION COST INDEX

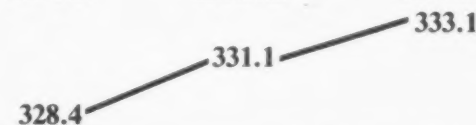
Last Year Last Month This Month



Percent Change From Last: Month .08 Year 3.0

CONSUMER PRICE INDEX (BLS)

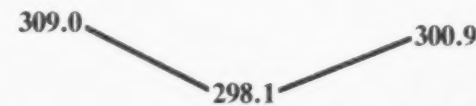
Last Year Last Month This Month



Percent Change From Last: Month .6 Year 1.4

PRODUCER PRICE INDEX (BLS)

Last Year Last Month This Month



Percent Change From Last: Month .09 Year -2.6

These figures are calculated on a base year of 1967.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From:	
		Last Qtr.	Last Year
Receipts	629.1B	2.9	7.7
Federal Grants	108.0B	1.0	7.8
Durable Purchases	22.9B	2.2	9.5
Consumables	36.6B	-0.3	-5.4
Services	378.8B	1.8	7.6
Structures	66.4B	6.9	15.9
Salaries, Wages	302.9B	1.7	7.1
Surplus	64.0B	8.7	7.6
Employment	13.981M	0.12	2.1